

## Business Objective 9.1 Contribution Matrix

Strategies and Opportunities	Description	Contribution
Adoption of Inflation Linked Asset Class	<p>Adoption of the Inflation Linked Asset Class (ILAC) aims to diversify the overall CalPERS portfolio by:</p> <ul style="list-style-type: none"> <li>• Generating attractive risk-adjusted rates of return for CalPERS as a total return investor</li> <li>• Hedging against inflation</li> <li>• Hedging against long term liabilities</li> <li>• Diversifying CalPERS investments</li> <li>• With Infrastructure and forestland investments, CalPERS will act as a responsible steward of program assets through utilization of responsible labor and management practices and implementation of responsible environmental practices</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Generates returns with new investments and hedges against inflation</li> </ul> <p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• Staff will share knowledge and resources related to similar assets increases with implementation of new asset class</li> </ul> <p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• Locating similar assets in common location reduces administrative costs</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• New asset class adds to portfolio while diversification with new infrastructure focus</li> </ul>
Real Estate Program Restructure	<p>The Real Estate program implemented a strategic plan to address these issues:</p> <ul style="list-style-type: none"> <li>• Restructuring the portfolio to better align with market norms</li> <li>• Review and revise investment policy to reflect changes in marketplace and realigned portfolio</li> <li>• Organizational realignment to provide better management, monitoring, and analysis of portfolio</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Aligning the portfolio with market norms will increase opportunities for investment return</li> </ul> <p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• Organizational restructuring will provide staff with more opportunities to cross-train and develop knowledge and skills</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• International exposure contributes to wider diversification of portfolio</li> </ul>

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Establishment of New Internally Managed Equity Portfolios	<p>The internal International Small/Micro Cap and Emerging Markets Program aims to:</p> <ul style="list-style-type: none"> <li>• Expand the internally managed equity index strategies by adding a international small/micro cap fund and two emerging markets funds</li> <li>• To provide an equity index investment alternative within each geographic and market capitalization segment contained within CalPERS' Global Equity benchmark</li> <li>• Provide cost savings and staff development opportunities</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Exposure to new markets increases potential for return</li> </ul> <p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• New opportunities for staff to develop competencies</li> </ul> <p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• Lower costs for internally managed portfolios compared to external management fees</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• Expanding CalPERS' equity strategies to include these markets provides better diversification for the fund</li> </ul>
Establishment of Emerging Manager Equity Strategies	<p>Two emerging manager equity strategies developed to expand opportunity set within the universe of emerging managers:</p> <ul style="list-style-type: none"> <li>• Fund of Emerging Hedge Funds</li> <li>• Emerging Manager Fund of Funds</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Investment with multiple companies reduces volatility and increased opportunity for return</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• Number of firms in each fund-of-funds increases exposure to multiple perspectives and adds diversification</li> </ul>
Revision of the Policy for the Credit Enhancement Program	<p>The Credit Enhancement Program (CEP) aims to:</p> <ul style="list-style-type: none"> <li>• Provide credit enhancement to municipalities nationwide by improving credit availability and liquidity for debt issuance</li> <li>• Earn fee income through a zero loss underwriting standard</li> <li>• Fees will be generated from annual commitments, up front closings, amendments and waivers</li> </ul> <p>The revised policy:</p> <ul style="list-style-type: none"> <li>• Increases the CEP total aggregate commitment amount from \$5 billion to \$10 billion in order to meet market demand</li> <li>• Eliminate the transaction limit of \$250 million by moving to a percentage based limit</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Increased size of program will result in higher fee generation</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• Expansion of program will expose CalPERS to more opportunities and increase diversification of the fund</li> </ul>

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Internally Managed Active Currency Overlay Portfolio	<p>This Initiative was developed to:</p> <ul style="list-style-type: none"> <li>• Provide improved risk control, or a reduction in the volatility of the returns from CalPERS' international equity investments</li> <li>• Potentially profit from the inefficiencies in the currency markets</li> <li>• Internally managed portfolio provides extensive cost savings when compared to external manager costs</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Portfolio is designed to take advantage of return opportunities in market</li> </ul> <p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• New portfolio offers opportunity for staff to develop knowledge and skills</li> </ul> <p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• Costs are lower than externally managed portfolios</li> </ul>
Supplemental Income Plans Fund Enhancements	<p>The Supplemental Income Plans Division implemented enhancements that provide increased investment options and reduced costs for participants:</p> <ul style="list-style-type: none"> <li>• Expanded number of CalPERS managed funds from 5 to 19</li> <li>• Use of internally managed fund will reduce costs for participants</li> </ul>	<p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• New products managed by CalPERS staff creates more development opportunities and knowledge building</li> </ul> <p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• More internally managed funds will reduce costs born by plan participants</li> </ul>
AIM Program Strategies	<p>Implementation of strategic measures designed to increase program ability to more effectively manage and deploy capital in private equity:</p> <ul style="list-style-type: none"> <li>• Sale of legacy portfolio to reduce administrative burden and all more focused investment strategy</li> <li>• Increased staffing to better administer partner relationships and direct investments</li> <li>• Creation of new portfolios in the following: underserved California areas, emerging managers, venture and growth capital, clean technology, emerging markets, and healthcare industry investment</li> </ul>	<p><b>Investment Performance</b></p> <ul style="list-style-type: none"> <li>• Streamlined portfolio with focused investments creates more potential to add value</li> </ul> <p><b>Staff Development</b></p> <ul style="list-style-type: none"> <li>• New portfolios and more staff provides opportunity for increased expertise</li> </ul> <p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• Bringing functions in-house reduces fees paid to external consultants</li> </ul> <p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• Increased number of investment vehicles creates exposure to multiple markets and opportunities</li> </ul>

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Implementation of Asset Allocation Rebalancing Accounts	<p>Rebalancing Accounts are being employed to:</p> <ul style="list-style-type: none"> <li>• Enhance investment performance by incorporating market views and other views that cross asset classes</li> <li>• Give staff tools and flexibility to manage funds asset allocation relative to targets</li> </ul>	<p>Investment Performance</p> <ul style="list-style-type: none"> <li>• Provides opportunities to make considered investments with potential to increase returns</li> </ul> <p>Staff Development</p> <ul style="list-style-type: none"> <li>• Empowers staff by delivering tools and flexibility to perform critical duties</li> </ul>